

Public Sector Advisors





Water, Sewer, Garbage, & Storm Water Rate Study

Presentation to :
City of Northfield, MN

October 9, 2018

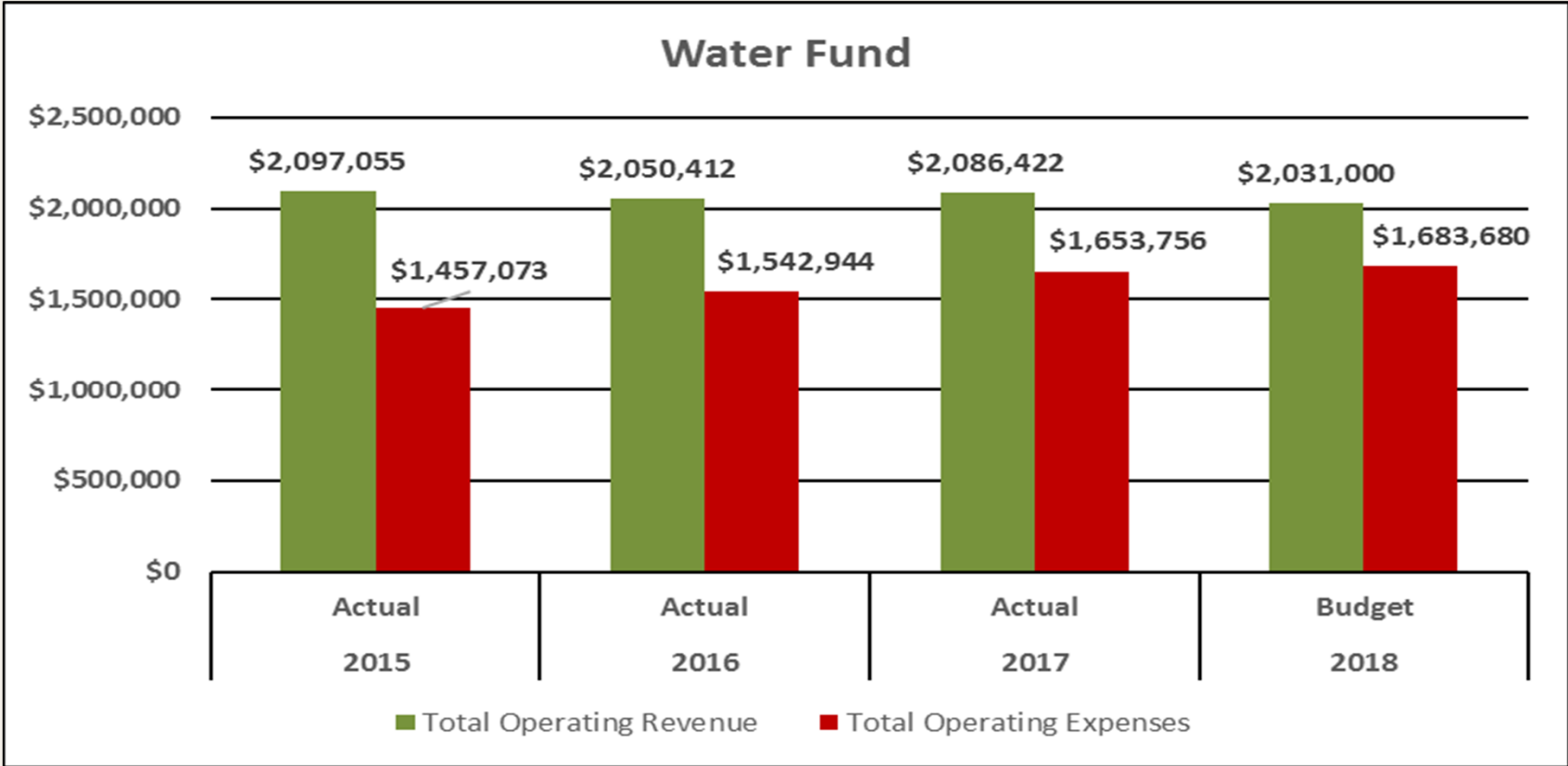
Springsted Incorporated

Patty Kettles, Vice President

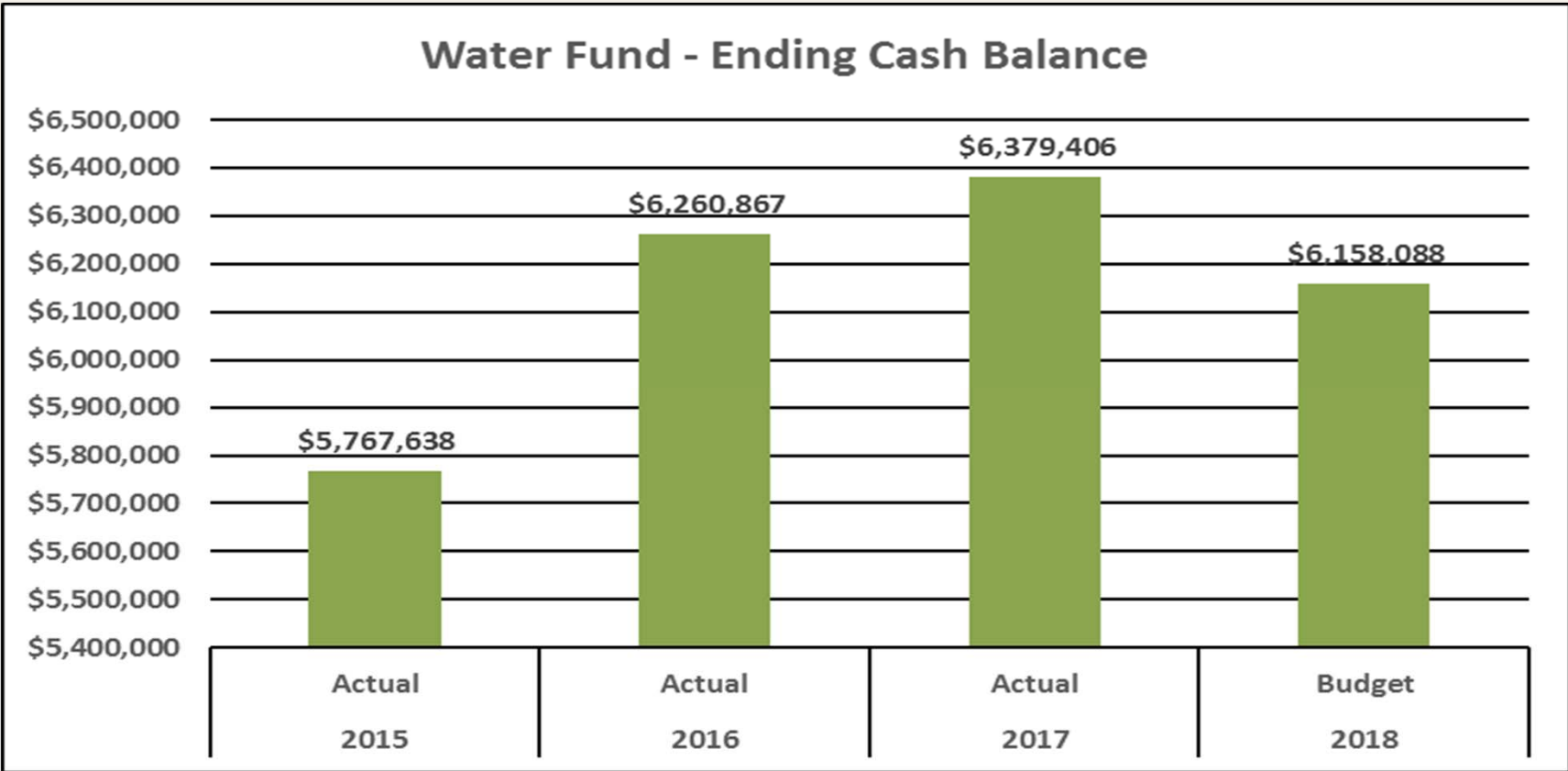
Purpose

- Review and analyze Water, Sewer, Garbage and Storm Water Financial Operations
 - Determine appropriate rate structure and other revenue needed to fund:
 - Anticipated operating and maintenance expenses
 - Debt service for existing and projected infrastructure & equipment
 - Adequate cash reserves

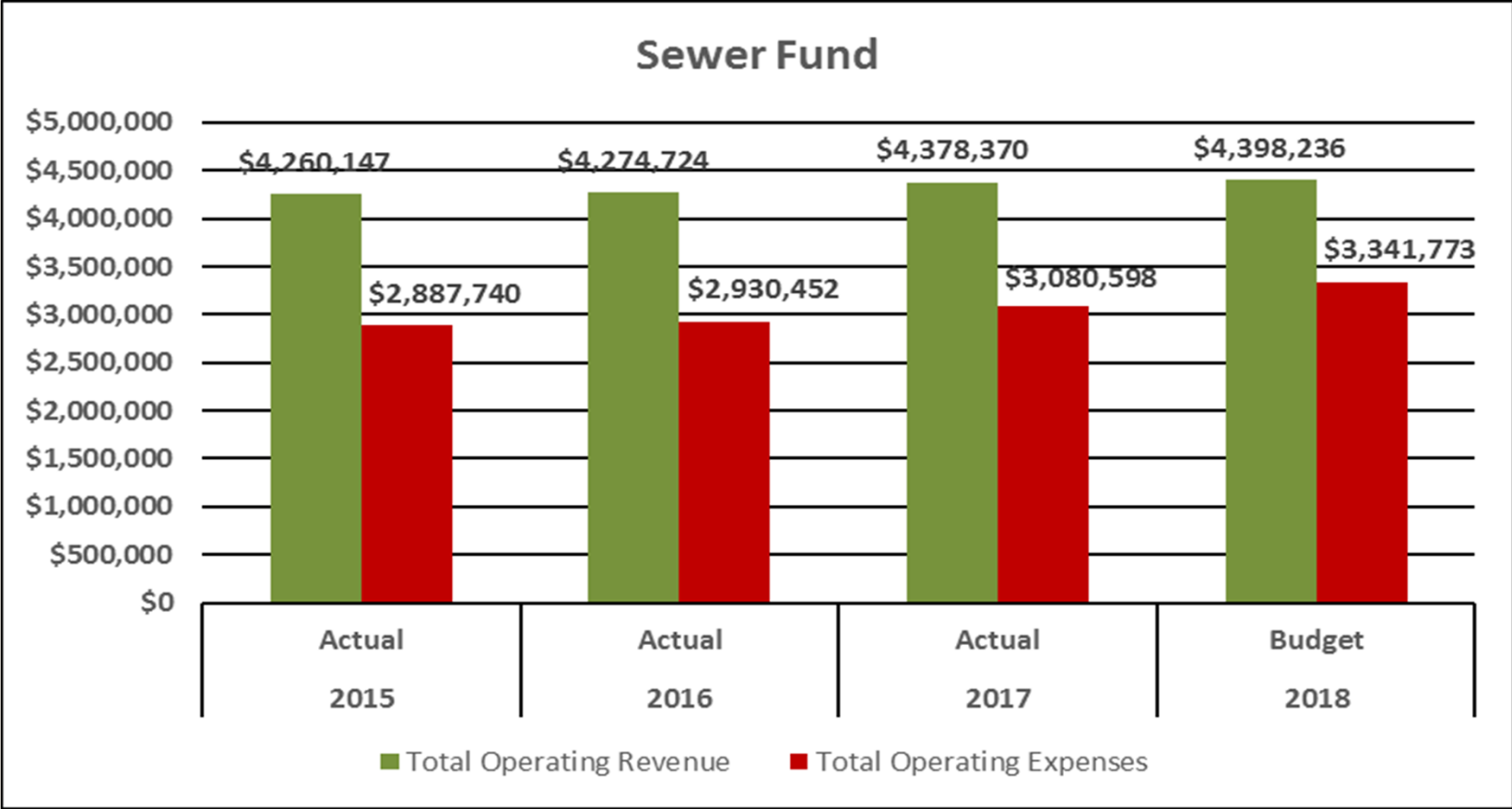
Historical Financial Information



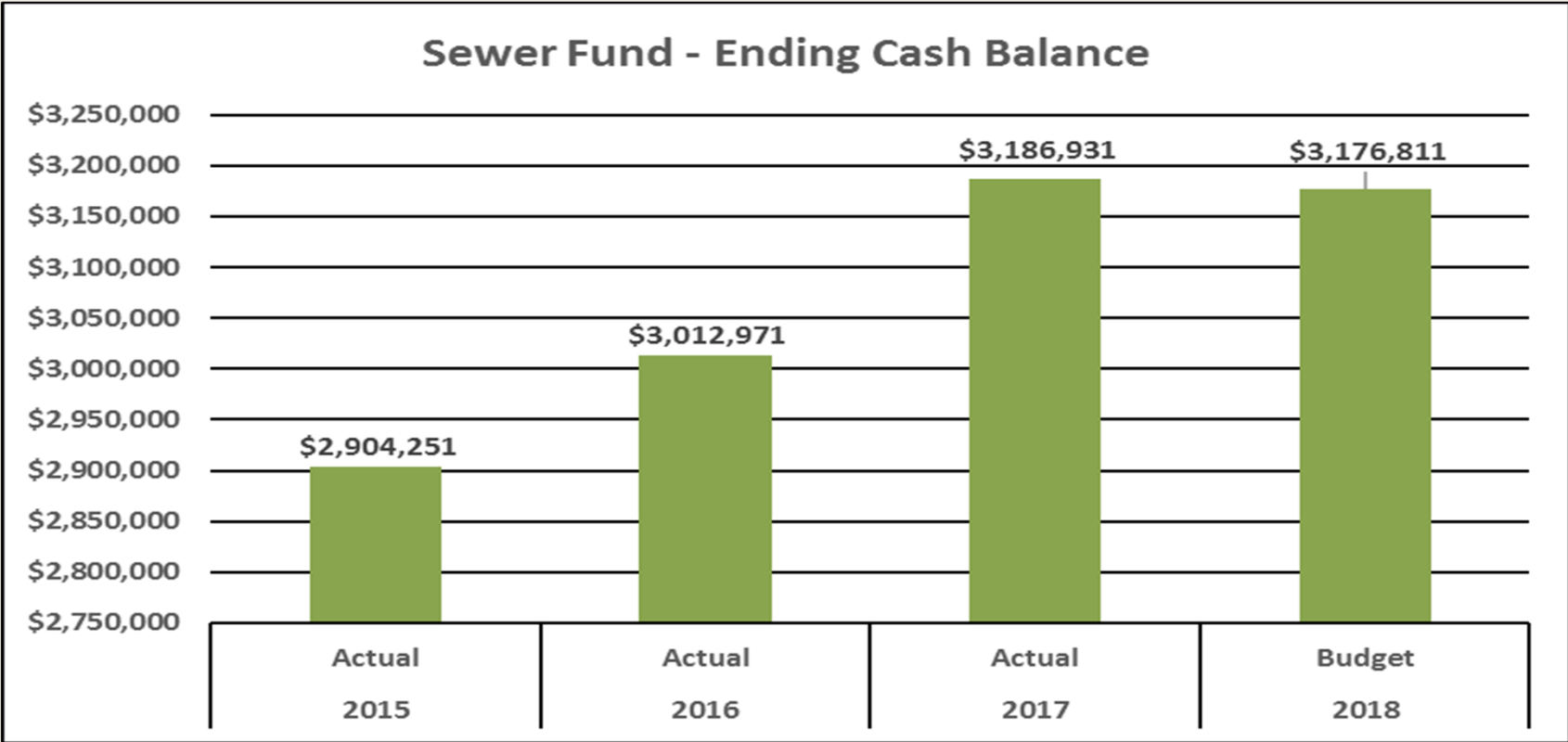
Historical Financial Information



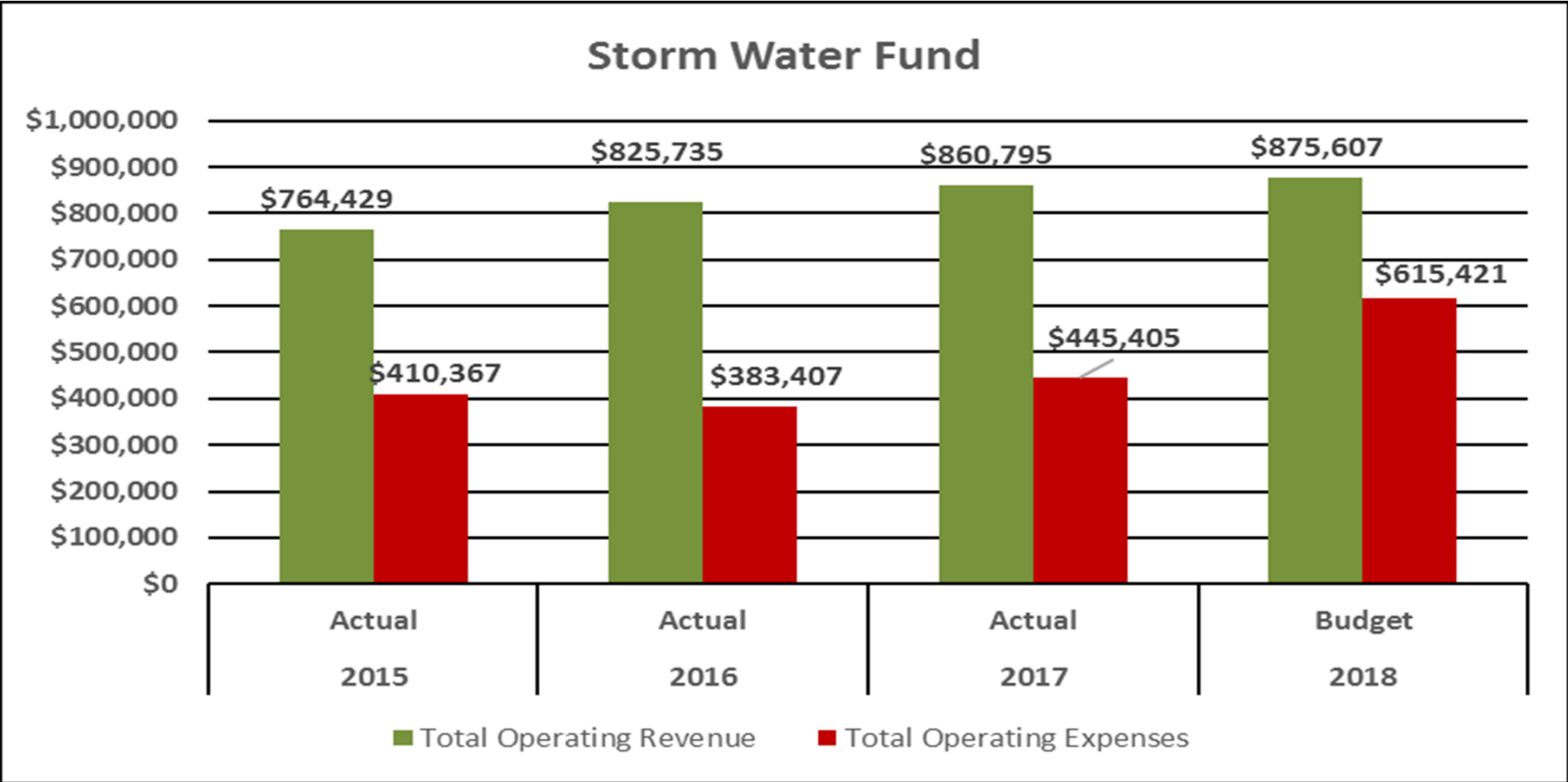
Historical Financial Information



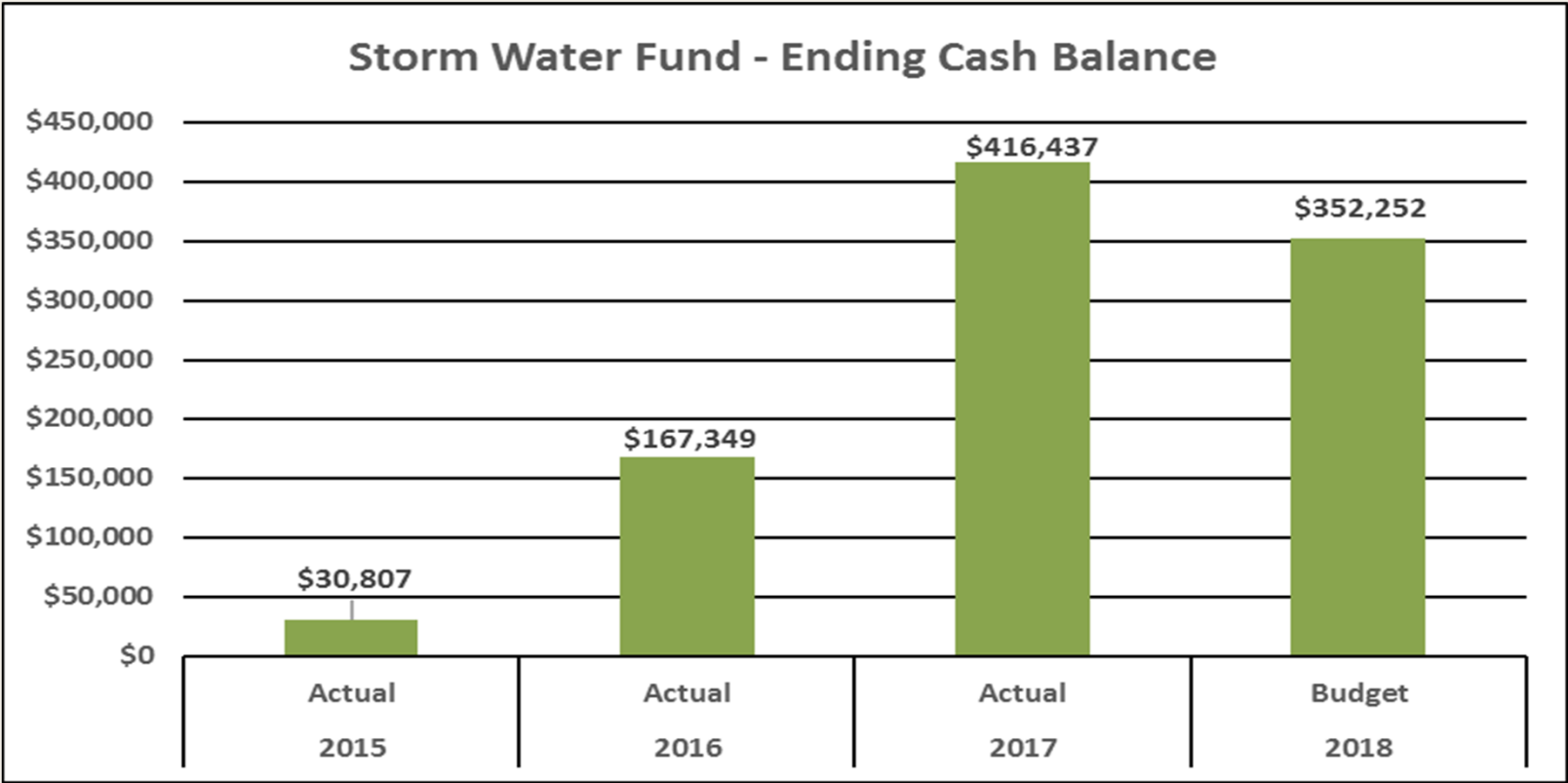
Historical Financial Information



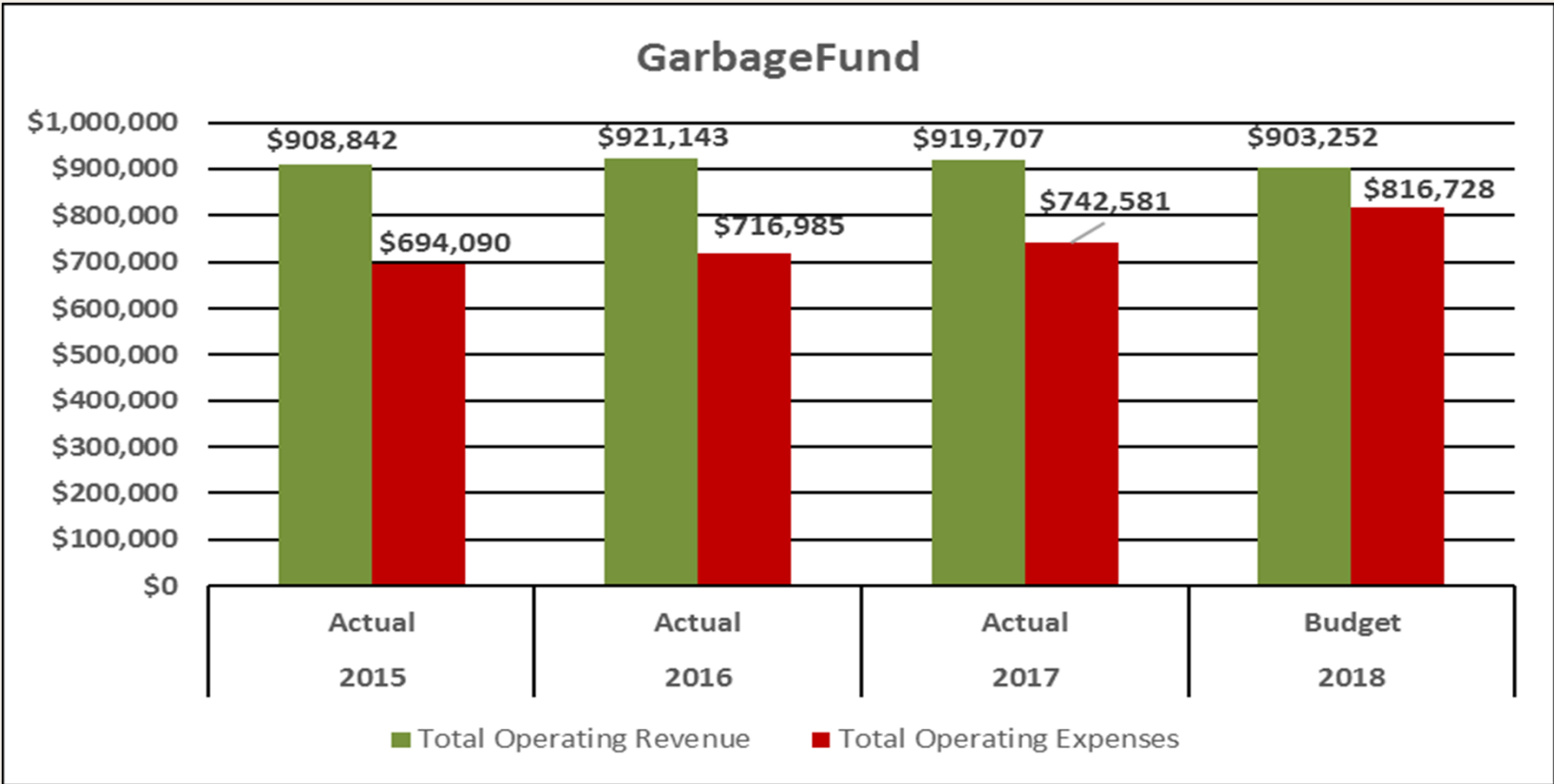
Historical Financial Information



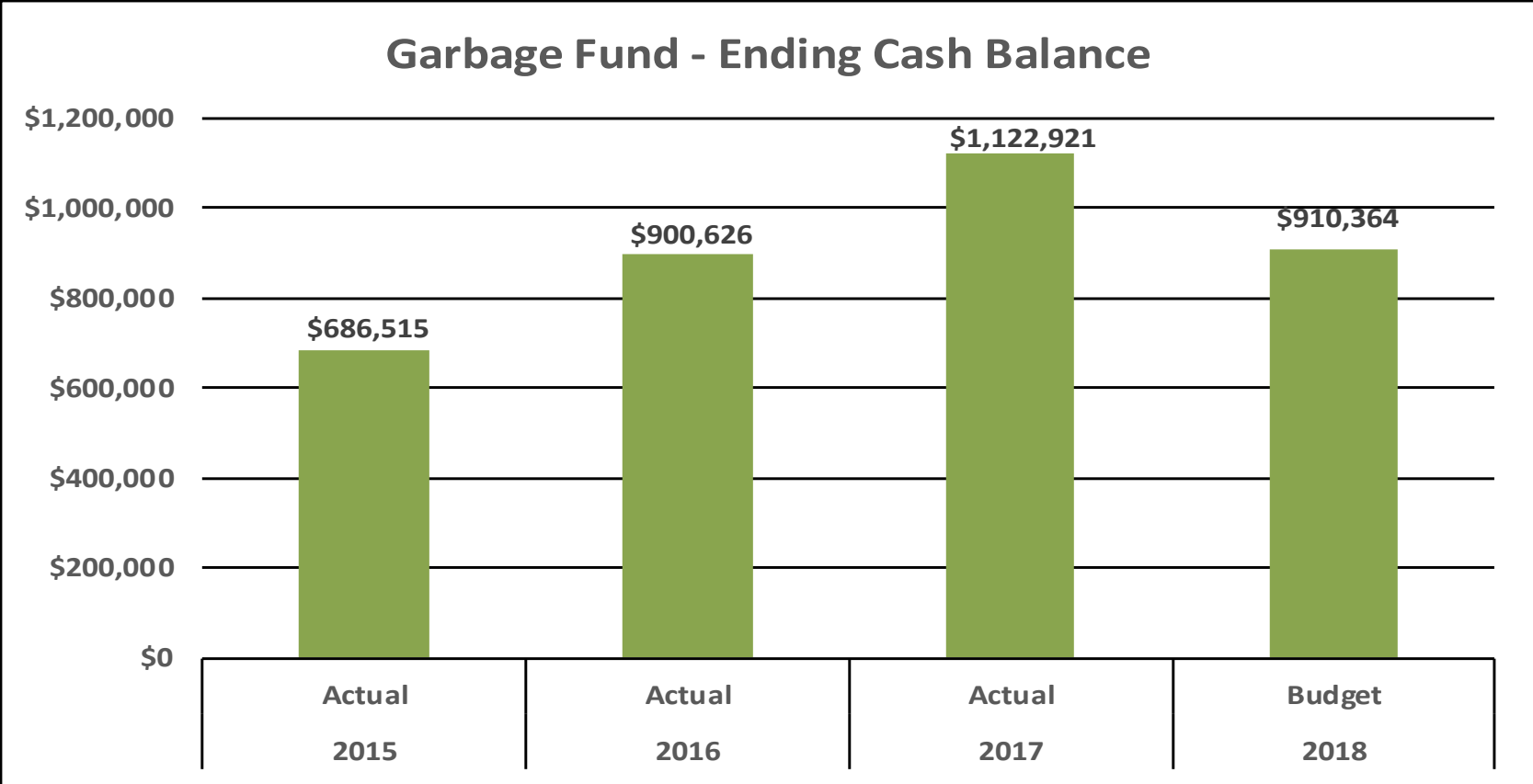
Historical Financial Information



Historical Financial Information



Historical Financial Information



Key Assumptions

- 0.5% growth in users
- Current CIP and CEP
 - + Asset renewal and replacement
- Expenses increasing 2.0% - 6.0%
- Investment earnings at 1.0%
- Internal loan of \$1.7M from Sewer Fund to Water Fund; City repays itself over 10 years @1.0%

Key Assumptions

- **Administrative Overhead Charge**
 - Used to recover costs related to providing the Enterprise Funds service (utility billing, City Council time, Administration, HR, etc.)
 - “Basic” vs. “Detailed” calculation options
 - “Basic” for Northfield = ranges from 10%-15%

Key Assumptions

- **Administrative Overhead Charge**

2018:

- Water = 11%
- Sewer = 7%
- Garbage = 11%
- Storm Water = 5%

Total \$\$\$ = \$576,661

Cash Reserves

- **Sufficient cash needed:**
 - Current expenses
 - Principal and interest on outstanding debt
 - Unforeseen expenses, budget shortfalls
- **Amount needed dependent on number of factors**
 - Tolerance for risk
 - Customer types
 - Anticipated future capital needs
- **Recommendation:**
 - Minimum 3 months operating expenses
 - Debt service reserve requirements
 - 20% of operating revenues for large user rate stabilization
(Water and Sewer only)

The Projections

- 10 year model projecting operations, capital outlay, debt service and depreciation
- Review historical performance 2015-2017 and 2018 budget to assist in projecting changes in certain line items; Staff input also
- Rates for users determined based on maintaining positive operating income and meeting recommended reserves

Financial Projections

- Recommended annual rate increases:

	Water	Sewer	Storm Water	Garbage*
2019 – 2023	1.0%	1.0%	4.0%	0%
2024 – 2028	4.0%	1.0%	4.0%	1%

**Garbage rates are for period 2019-2022 & 2023-2028*

- Rate Increases Needed For:
 - Operating cash flow
 - Debt Service
 - Capital Outlay
 - Recommended Reserves

Rate Impacts on Average Customers

Sample Bills - Residential						
Average Residential						
589	cubic feet					
0.33	acre lot					
	2018	2019	2020	2021	2022	2023
Water	\$ 14.16	\$ 14.31	\$ 14.45	\$ 14.59	\$ 14.74	\$ 14.89
Sewer	\$ 35.05	\$ 35.40	\$ 35.76	\$ 36.12	\$ 36.48	\$ 36.84
Garbage	\$ 12.30	\$ 12.30	\$ 12.30	\$ 12.30	\$ 12.66	\$ 13.14
Storm Water	\$ 6.17	\$ 6.33	\$ 6.49	\$ 6.65	\$ 6.82	\$ 6.99
	\$ 67.69	\$ 68.34	\$ 68.99	\$ 69.66	\$ 70.69	\$ 71.86
Average Residential-Winter Water Use						
1,150	cf-summer					
784	cf-winter					
0.33	acre lot					
	2018	2019	2020	2021	2022	2023
Water	\$ 22.67	\$ 22.90	\$ 23.13	\$ 23.36	\$ 23.59	\$ 23.83
Sewer	\$ 43.85	\$ 44.29	\$ 44.73	\$ 45.18	\$ 45.63	\$ 46.09
Garbage	\$ 12.30	\$ 12.30	\$ 12.30	\$ 12.30	\$ 12.66	\$ 13.14
Storm Water	\$ 6.17	\$ 6.33	\$ 6.49	\$ 6.65	\$ 6.82	\$ 6.99
	\$ 84.99	\$ 85.81	\$ 86.64	\$ 87.48	\$ 88.69	\$ 90.04

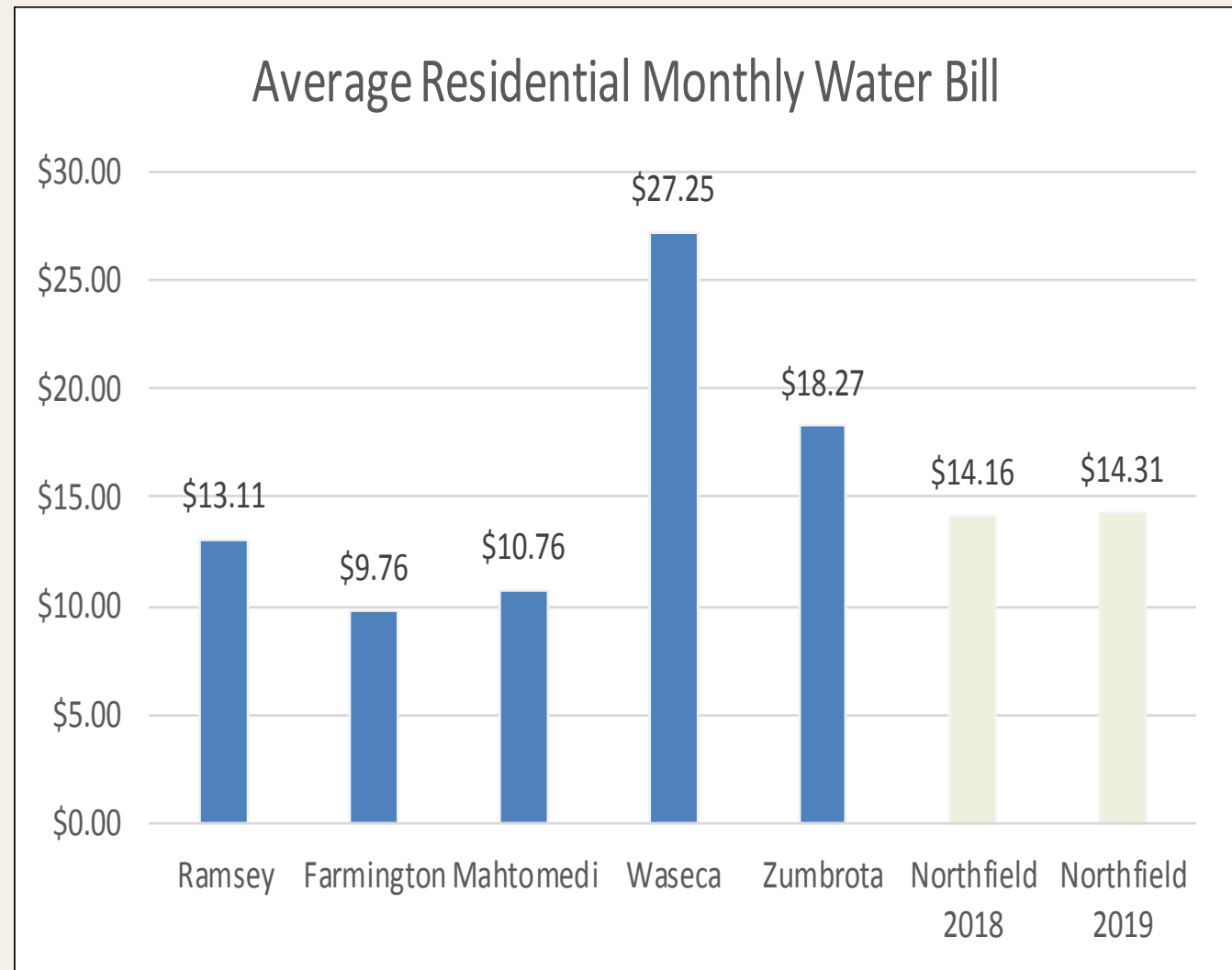
Rate Impacts on Average Customers

Sample Bills - Colleges						
St. Olaf College						
multiple meters						
	2018	2019	2020	2021	2022	2023
Water	\$ 13,424.43	\$ 13,558.68	\$ 13,694.26	\$ 13,831.21	\$ 13,969.52	\$ 14,109.21
Sewer	\$ 20,253.79	\$ 20,456.32	\$ 20,660.89	\$ 20,867.50	\$ 21,076.17	\$ 21,286.93
Garbage	\$ 456.01	\$ 456.01	\$ 456.01	\$ 456.01	\$ 467.38	\$ 476.15
Storm Water	\$ 5,822.50	\$ 5,968.06	\$ 6,117.26	\$ 6,270.19	\$ 6,426.95	\$ 6,587.62
	\$ 39,956.72	\$ 40,439.07	\$ 40,928.42	\$ 41,424.90	\$ 41,940.02	\$ 42,459.91
Carleton College						
multiple meters						
	2018	2019	2020	2021	2022	2023
Water	\$ 2,176.56	\$ 2,198.33	\$ 2,220.31	\$ 2,242.52	\$ 2,264.94	\$ 2,287.59
Sewer	\$ 23,695.71	\$ 23,932.67	\$ 24,172.00	\$ 24,413.72	\$ 24,657.85	\$ 24,904.43
Garbage	\$ 735.76	\$ 735.76	\$ 735.76	\$ 735.76	\$ 757.26	\$ 786.30
Storm Water	\$ 5,786.60	\$ 5,931.16	\$ 6,079.33	\$ 6,231.21	\$ 6,387.01	\$ 6,546.74
	\$ 32,394.63	\$ 32,797.92	\$ 33,207.40	\$ 33,623.20	\$ 34,067.06	\$ 34,525.06

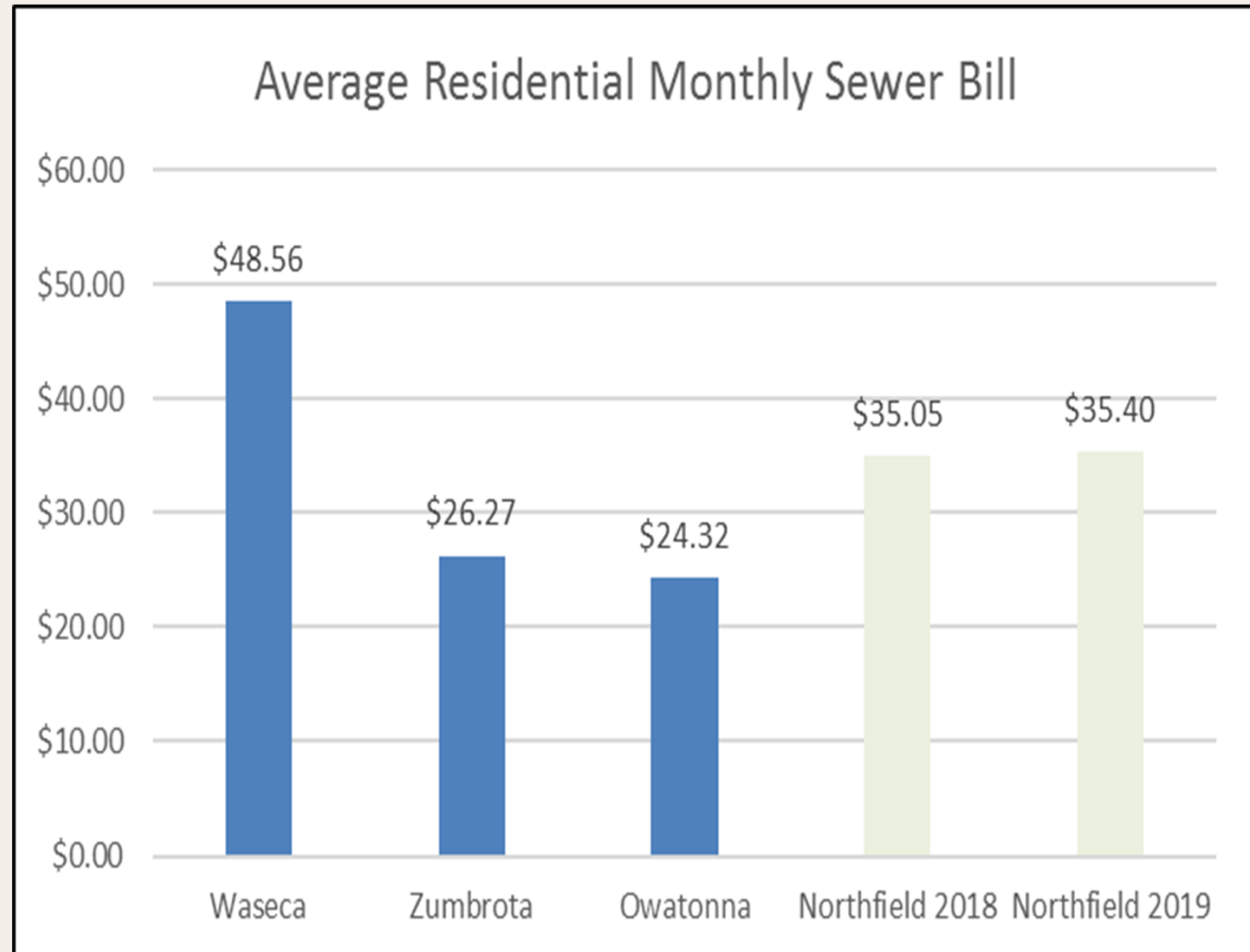
Rate Impacts on Average Customers

Sample Bills - Commercial						
Econo Foods						
multiple meters						
	2018	2019	2020	2021	2022	2023
Water	\$ 391.62	\$ 395.54	\$ 399.49	\$ 403.49	\$ 407.52	\$ 411.60
Sewer	\$ 852.49	\$ 861.02	\$ 869.63	\$ 878.32	\$ 887.11	\$ 895.98
Garbage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water	\$ 152.17	\$ 155.97	\$ 159.87	\$ 163.87	\$ 167.97	\$ 172.16
	\$ 1,396.28	\$ 1,412.53	\$ 1,428.99	\$ 1,445.68	\$ 1,462.60	\$ 1,479.74
Multek Flexible Circuits Inc						
multiple meters						
	2018	2019	2020	2021	2022	2023
Water	\$ 13,289.88	\$ 13,422.78	\$ 13,557.01	\$ 13,692.58	\$ 13,829.51	\$ 13,967.80
Sewer	\$ 28,901.30	\$ 29,161.83	\$ 29,316.93	\$ 29,493.48	\$ 29,671.80	\$ 29,851.90
Garbage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water	\$ 1,259.05	\$ 1,290.53	\$ 1,322.79	\$ 1,355.86	\$ 1,389.76	\$ 1,424.50
	\$ 43,450.23	\$ 43,875.14	\$ 44,196.73	\$ 44,541.92	\$ 44,891.06	\$ 45,244.20
Post						
multiple meters						
	2018	2019	2020	2021	2022	2023
Water	\$ 33,301.75	\$ 33,634.77	\$ 33,971.12	\$ 34,310.83	\$ 34,653.94	\$ 35,000.48
Sewer	\$ 64,805.83	\$ 65,453.89	\$ 65,466.83	\$ 65,479.90	\$ 65,493.11	\$ 65,506.44
Garbage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water	\$ 2,920.17	\$ 2,985.14	\$ 3,059.71	\$ 3,136.15	\$ 3,214.49	\$ 3,294.80
	\$ 101,027.76	\$ 102,073.80	\$ 102,497.66	\$ 102,926.88	\$ 103,361.54	\$ 103,801.72

How Does Northfield Compare?



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*Thanks for this opportunity to serve
The City of Northfield!*